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# BPCPA

## BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY OF BRITISH COLUMBIA

## ANNUAL REPORT – 2006

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# Message from the Chair and CEO

We are pleased to present the third Annual Report of the Authority for the 12 month period of January 1 to December 31, 2006.

The 2006 Annual Report reflects the Authority's activities over the year and how the majority of annual performance measures set out in the 2006 – 2008 Business Plan were met.

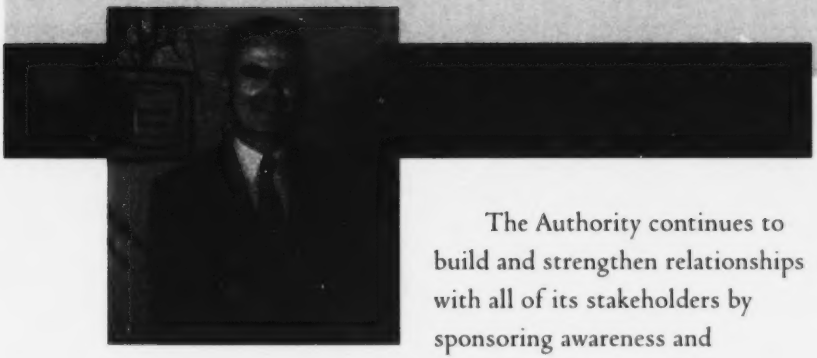
The 2006 fiscal year ended with revenues exceeding expenditures by $5,542. Total revenue for the year was $2,888,048 and total expenditures were $2,882,506.

This was a busy year with numerous operational highlights as we worked to meet the goals and objectives established in our 2006 – 2008 Business Plan. Improved inspection protocols were developed in consultation with industry and full inspections were completed on all BC funeral providers, crematorium operators and commercial places of interment. We moved forward in the area of progressive enforcement by working closely with other agencies and strengthening partnerships with the RCMP, Vancouver City Police, the Federal Trade Commission, the US Office of Fair Trading and financial institutions. In addition, the BPCPA continued to work with government to propose legislative amendments to address gaps in consumer protection.

At the request of government, the Authority undertook a comprehensive consultation process with the cosmetology industry in the summer of 2006 and proposed a regulatory framework which was submitted to government for consideration in September.

The Authority continued to work with government on planning for the transfer of responsibility for the administration of the *Motion Picture Act* and for the Film Classification Office commencing the summer of 2007.

Trends and research indicate an increasing need to raise awareness of consumer fraud, particularly for seniors and youth. There has been a significant increase in online purchasing which has led to more opportunities for scams. In 2006 the Authority began planning for an awareness and education campaign for consumers and businesses. This campaign will target activities over the next 3 years that will result in more informed consumers and businesses that are aware of their rights and obligations under BC's consumer protection laws. A major component of this project is the Travel Assurance Fund Campaign launching in early 2007.



The Authority continues to build and strengthen relationships with all of its stakeholders by sponsoring awareness and education events, attending industry and consumer conferences, providing training opportunities and conducting regular industry advisory group meetings to provide information, consult and obtain feedback on matters related to enhancing consumer protection. Based on feedback from consumers and businesses the Authority undertook a major enhancement of its website with a planned launch in early 2007.The BPCPA's new website will better meet the needs of consumers and licensees with added features including easier access to the consumer assistance directory, access to online forms and the ability to accept credit card payments from licensed industries.

The first ministerial audit of the BPCPA has been conducted and we are looking forward to receiving the results in early 2007.

The BPCPA has now completed two full years of operation and the Board of Directors felt it was important to look at the Authority's structure to ensure it is operating in the most effective and strategic manner.

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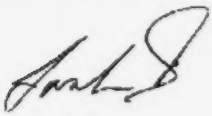
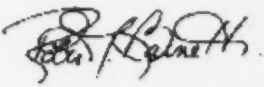
Some of the activities undertaken by the Board in 2006 were: the completion of a Board Governance Manual, the first annual Board evaluation, and the establishment of a Compensation Committee. A recruiting process began late in the year to add new Board members, allowing us to continue to build our areas of expertise.

The work accomplished in 2006 has positioned the Authority well to meet the coming benefits of consolidating consumer protection functions to further "a fair market place for BC consumers and businesses". In addition, an improved strategic planning process will be undertaken in the fall of 2007 as we prepare to take on added responsibilities

We look forward to growth of the organization and continued relationships with government, and stakeholders.



Frank Barr
Chair, Board of Directors



Terry Barnett
President and CEO

# Vision, Mission and Operating Principles

## Our Vision

A fair marketplace for British Columbia consumers and businesses.

## Our Mission

The Business Practices & Consumer Protection Authority provides innovative, responsive leadership in the British Columbia marketplace, promotes fairness and understanding, and administers legislation in the public interest.

# Operating Principles

## To Our Employees, we will

- Promote an environment of learning, mutual respect, ethical conduct and team work.
- Encourage the use of initiative and support their ability to make decisions quickly and effectively.
- Demonstrate leadership and open communication.
- Be committed to a workplace that is safe, healthy and free from harassment, with equal opportunity for all.

## To Our Stakeholders, we will

- Be a fair and responsive organization, focused on achieving results.
- Demonstrate professionalism and integrity in all our dealings;
- Reflect the needs and values of the people of British Columbia in our policies and operations.
- Be open, transparent, and accountable, while respecting the privacy of our stakeholders.
- Minimize regulatory burdens and maintain BC's competitive position, while fully protecting consumers and businesses from unfair practices.
- Foster a culture of voluntary compliance by business and consumers who know their rights and responsibilities.

- The Business Practices & Consumer Protection Authority of British Columbia (the Authority or the BPCPA) was created by the *Business Practices and Consumer Protection Authority Act* and became operational on July 4, 2004 as a not for profit corporation, independent from government. The Authority was established to strengthen consumer protection in British Columbia. As an independent authority, the BPCPA has greater flexibility to respond quickly to a changing business environment.

# Corporate Profile

**The mandate of the BPCPA is to:**

- deliver consumer protection services throughout British Columbia;
- promote fairness and understanding in the marketplace; and
- administer in the public interest any Act delegated to the Authority.

The legislative framework for the BPCPA consists of three main consumer protection statutes:

- the *Business Practices and Consumer Protection Authority Act*;
- the *Business Practices and Consumer Protection Act*; and
- the *Cremation, Interment and Funeral Services Act*.

Responsibility for the *Motion Picture Act* will be added as of July 1, 2007. In addition, the BPCPA administers the following regulations:

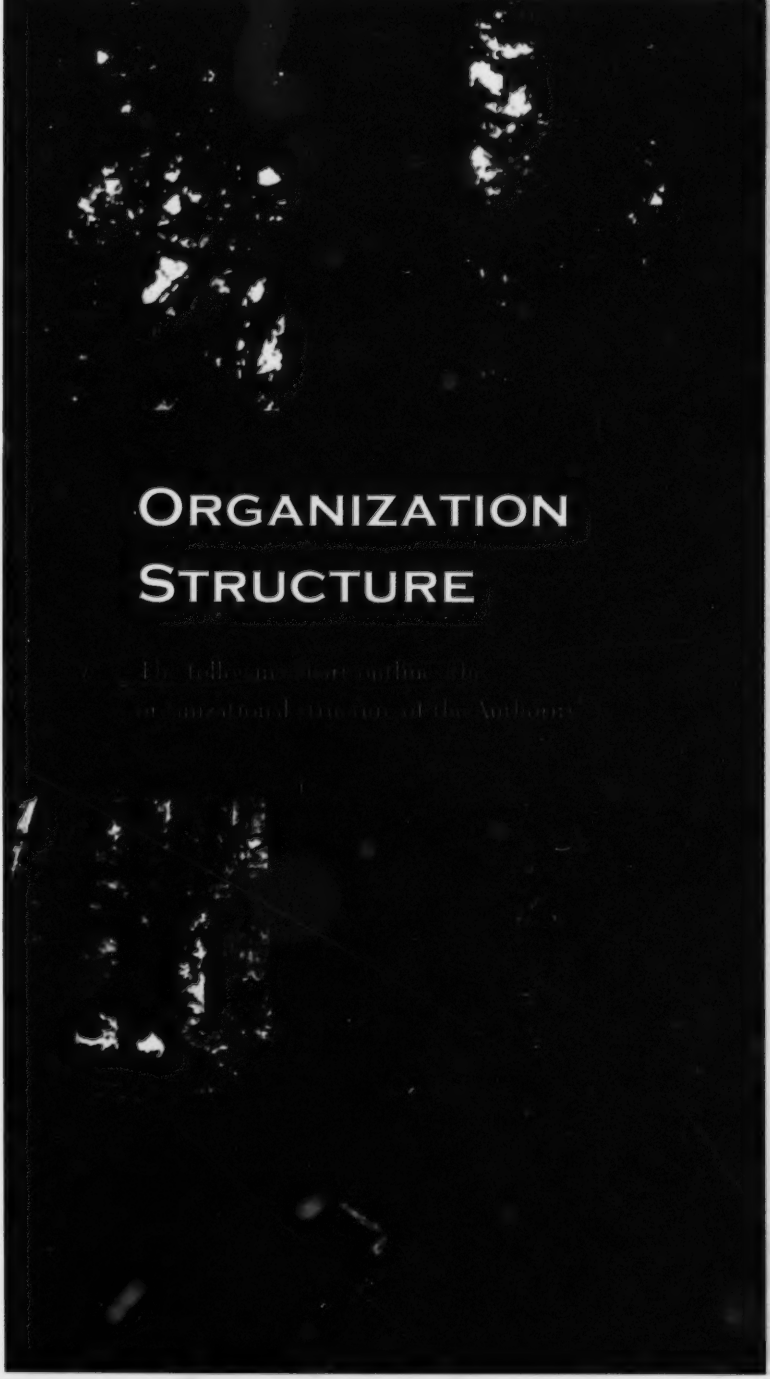
- the Business Practices and Consumer Protection Regulation;
- the Consumer Contracts Regulation;
- the Debt Collection Industry Regulation;
- the Travel Industry Regulation;
- the Telemarketer Licensing Regulation;
- the Fee Setting Criteria Regulation;
- the Cremation, Interment and Funeral Services Regulation; and
- the Administrative Penalties Regulation.

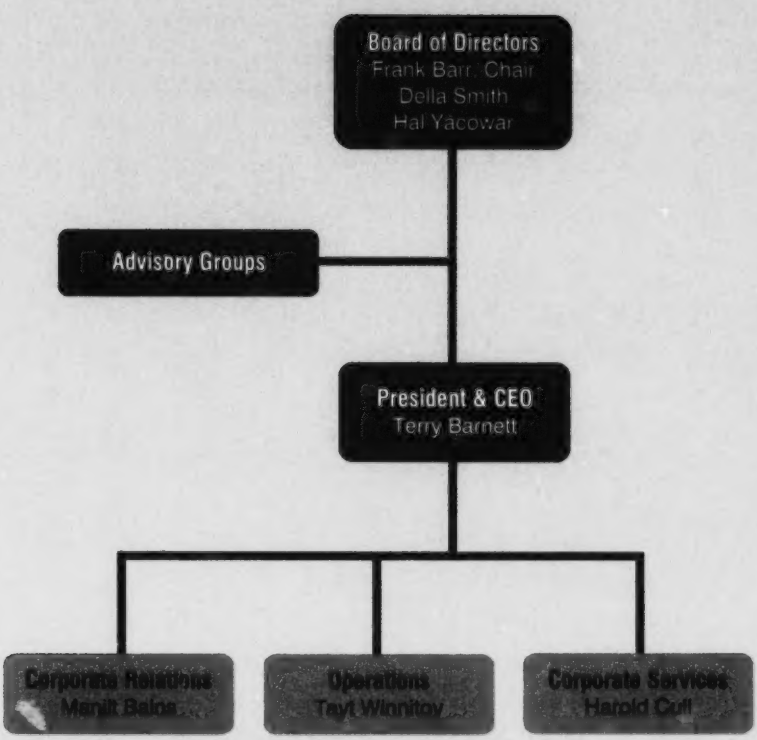
The Authority is responsible for BC consumer protection activities including regulation of specific industry groups, investigations, enforcement, and information and complaint resolution services offered through a BC toll free number. The industries currently licensed by the BPCPA are: debt collection; cremation, interment and funeral services; travel; and telemarketing.

The provincial government maintains responsibility for legislation, government policy and review of the Authority.

The terms and responsibilities for the Authority to provide consumer protection services to the public, are covered by a formal Administrative Agreement between the Government of British Columbia and the BPCPA. The agreement is permitted under the *Business Practices and Consumer Protection Act* (s. 175 and 177) and the *Cremation, Interment and Funeral Services Act* (s. 59 (1)).

The agreement sets out the terms and conditions under which the Authority will operate and remain accountable to government, including establishing a liaison protocol with the BC Ministry of Public Safety and Solicitor General.


ORGANIZATION
STRUCTURE




The Authority is governed by a Board of Directors responsible for setting overall goals and broad general policies for the Authority. The Board has established advisory groups for each regulated industry to provide feedback to the Board.

The President and Chief Executive Officer (CEO) is responsible for the management and operation of the Authority and is accountable to the Board. It is the CEO's responsibility to ensure that consumer protection and industry regulation are managed to reflect today's approaches and operating environment.

The Authority is divided into three key areas:

**Corporate Relations**

Corporate Relations is responsible for strengthening consumer, industry, government and public relations. Corporate Relations manages the inquiry toll free line by providing information, referrals to appropriate organizations, and resolving complaints for over 15,000 British Columbians a year. The Corporate Relations staff communicates with consumers and industry by facilitating regular industry advisory group meetings, attending and sponsoring various consumer and industry conferences, leading ad hoc consultations and implementing education and awareness opportunities. Corporate Relations staff work in partnership with government to continually enhance BC consumer protection law by developing policy recommendations and legislative proposals and leading the consolidation of consumer protection services. The division works with all stakeholders to manage the Authority's public and media relations. The division also monitors the administrative agreement between the Authority and the government, provides support to the

Board, administers the Travel Assurance Fund and is responsible for all public relations activities.

**Operations**

Operations is responsible for licensing, inspection, financial auditing, and investigations and enforcement for all regulated industries. The division provides advice and assistance on regulatory matters, receives and reviews licensing applications and renewals, and undertakes the audit and screening of detailed financial and personal information. Operations inspections staff work with regulated businesses to ensure compliance with legislation. Inspectors respond to issues resulting from licence applications, renewals and complaints, and conduct regular unscheduled on-site inspections. Investigations are initiated throughout the province as the result of on-site compliance reviews, consumer and business complaints, and issues that come to the attention of the Authority through the police, consumers, the media, businesses and industry associations.

**Corporate Services**

Corporate Services provides services that contribute to the efficient management and administration of the BPCPA. This includes developing frameworks and policies for financial and payroll services, human resource services, contract management, information technology systems, and administrative services.

# GOVERNANCE

The Board of Directors of the Authority is the strategic leader in setting the overall strategic goals and broad general policies for the Authority. The Chief Executive Officer (CEO) is held responsible by the Board for achieving these goals and the overall management of the Authority.

The Board met regularly throughout the year focusing on planning, Board governance, and Board recruitment. The Board has several standing committees including the Nominating Committee, Audit Committee, and the newly established Compensation Committee that support the Board in fulfilling its key responsibilities.

The Advisory Groups established by the Board for regulated industries continued to identify consumer and industry related issues, provide potential solutions for consideration by the Authority, and give feedback on any

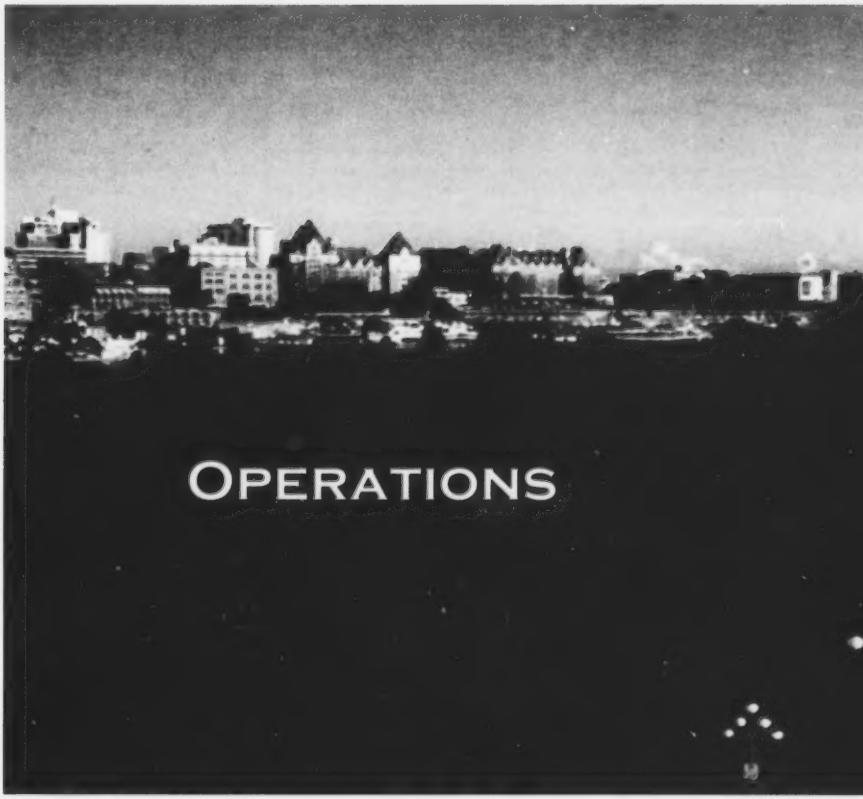
matters put forward to the group for consideration. Each Advisory Group includes industry, consumer and BPCPA representatives and is required to publish its own annual report which is posted on the Authority's website.

In June 2006 the Board Governance Manual was revised and posted to the BPCPA website. This document covers important information including: the Board's structure, mandate and responsibilities; terms of reference for the Chair, Board members, Committees and Advisory Groups; the development and education policy; and the CEO's mandate and responsibilities. Lastly, the Board commenced a recruitment process to add two new Board members by mid-2007.

## In 2006, the BPCPA:

- Increased inquiry, inspection and enforcement capability.
- Completed the first full inspection of all BC funeral providers, crematorium operators and commercial places of interment.
- Established inspection and investigation partnerships with the UK Office of Fair Trading, the US Postal Inspection Service, RCMP, Vancouver City Police, Federal Trade Commission, financial institutions and other regulatory organizations.
- Developed new review processes for financial information received from regulated areas, to ensure that appropriate tests and measures are in place to identify licensees posing a financial risk, and assist with resulting compliance and enforcement actions.
- Provided $20,000 in general restitution to consumers.
- Approved a total of 298 claims to the Travel Assurance Fund for a total of $310,112.
- Continued to pursue new consumer protection lines of business, such as transfer of the Film Classification Office and licensing of cosmetologists.
- Met with government staff to propose legislative amendments to address gaps in consumer protection.
- Undertook consultations on legislative proposals with industry stakeholders.
- Promoted consumer awareness and education, including publishing News/Media Releases, developing relations with media and making presentations to consumers and businesses.
- Participated in consumer and industry trade shows.
- Began work on two major awareness initiatives: the Travel Assurance Fund campaign and the Awareness & Education campaign.
- Successfully negotiated the renewal of the collective agreement with the BC Government Employees Union.

# YEAR IN REVIEW




## Enforcement Mandate

The Business Practices & Consumer Protection Authority promotes a fair marketplace in BC through consumer protection legislation as well as licensing, enforcement and consumer awareness activities. The *Business Practices and Consumer Protection Act* deals with transactions that occur between a business (referred to as a supplier in the legislation) and an individual (consumer) and cannot get involved in business to business transactions.

The Authority investigates complaints received from consumers or other individuals when it appears the business may be in violation of BC's consumer protection legislation. To initiate an investigation, the enforcement team most often relies on written complaints from consumers which are then reviewed to determine whether an investigation is warranted.

The investigator's authority is vested in the *Business Practices and Consumer Protection Act* and the *Cremation,*

*Interment and Funeral Services Act*. Generally they can make any inquiries necessary to help determine whether or not there is a contravention of the Act. They can enter a business and ask questions, seek copies of relevant documentation and temporarily take possession of any material in order to examine them and make copies if necessary.

When violations occur, the investigations team has a variety of administrative remedies available to them in the legislation, including compliance orders, administrative monetary penalties, asset freezing orders and direct sales prohibition orders. In more serious cases, the investigations team will recommend civil prosecution or where warranted, provide information to other law enforcement officials on potential criminal matters.

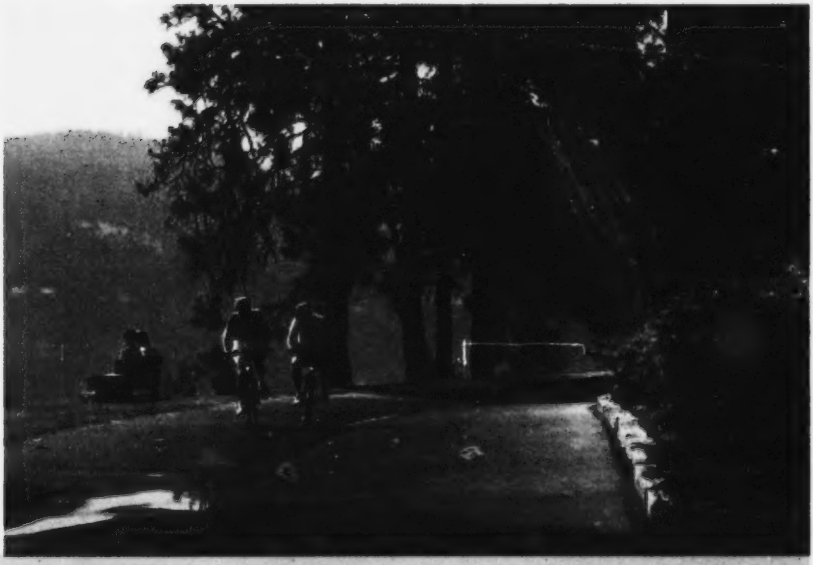
## Regulatory Mandate

### Collection Agents, Bailiffs and Debt Poolers

The *Business Practices and Consumer Protection Act* requires that all parties collecting debts in BC are subject to the unreasonable collection practices provisions in the legislation. Debt collectors collecting debts for third parties for gain require licensing. The BPCPA is responsible for ensuring all licensees and their licensed employees comply with the provisions of the Act including the unreasonable collection practice requirements. The team also monitors agencies to ensure

compliance with the financial, security and other reporting requirements in the regulations.

Bailiffs licensed under the BPCPA do not act under court order or sheriff supervision; the right to act arises under statute, contract or common law. Bailiffs are required to meet the same licensing requirements as collection agents and the Operations team ensures compliance with the Act and regulations through routine financial reporting, records review and other inspection activities.



Debt poolers usually offer debt counselling services to debtors and negotiation with creditors regarding repayment provisions, and accept regular payments from debtors for pro rata distribution to the debtors' creditors. Debt poolers are required to meet the same licensing requirements as collection agents and the Operations team ensures compliance with the Act and regulations through routine financial reporting, records reviews and other inspection activities.

The BPCPA holds approximately $13,000,000 in securities related to this sector, which range individually from $10,000 up to $50,000 depending on the volume of business activity.

**Cremation, Interment and Funeral Service**

The BPCPA regulates the cremation, interment and funeral service industry in BC. This includes issues related to the handling and disposition of human remains, pre-arranged cemetery and funeral sales, and various aspects of funeral service including funeral home licensing, funeral director and embalmer licensing, funeral director and embalmer apprentice licensing, solicitation, advertising and facilities standards.

Operations approves and oversees the establishment and operation of BC cemeteries, columbaria, and mausoleums (places of interment) and crematoriums under the *Cremation, Interment and Funeral Services Act*. This includes the issuance of certificates of public interest for cemetery lands and licensing of persons who own or operate a place of interment or crematorium.

The BPCPA regulates funeral providers and cemetery operators involved in transacting funeral contracts, pre-need cemetery and funeral service contracts and interment rights contracts. The regulations require that moneys received from consumers for future services are deposited with savings institutions pursuant to specific trust agreements. The Operations team also licenses funeral providers, funeral directors, embalmers and apprentices to funeral directors and embalmers.

| Goals | Strategies |
| --- | --- |
| The Authority supports a fair and reasonable regulatory and enforcement environment | Improve accessibility by automating licensing functions |
| The Authority is the primary consumer protection agency in British Columbia | Improve compliance by producing inspection protocols for regulated areas. |
| | Increase investigative independence |
| | Increase compliance through progressive enforcement |
| | Increase fairness by improving access to administrative law & natural justice processes |
| The Authority is the primary consumer protection agency in British Columbia | Improve stakeholder relationships by consulting and forming partnerships. |
| | Improve assistance to consumers and businesses by responding in a timely manner to requests. |

### Telemarketers

The *Business Practices and Consumer Protection Act* requires that all persons within or outside BC who initiate contact with BC consumers for the purposes of entering into distance sales contracts obtain a telemarketer licence. The Act also requires that any person within or outside BC

| 2006 - Target | Status |
|---|---|
| ■ Online update and change forms | ■ Target met. |
| ■ Online financial reporting | ■ Travel agents submit semi-annual reports on-line. |
| | ■ Funeral homes report administrative fees on-line. |
| | ■ Debt collection industry financial reporting submitted on-line. |
| ■ Online license payments | ■ Target will be met in early 2007 with launch of new website. |
| ■ 70% of inspections passed | ■ Target exceeded (89%) |
| ■ Pursue Designated Law Enforcement Unit (DLEU) status through Police Services | ■ In progress |
| ■ Establish baseline for % of complaints resolved without enforcement actions. | ■ Target met |
| ■ Opportunity to be heard | ■ Reconsideration process reviewed with advisory groups and posted on website. |
| ■ Reconsideration | ■ Reconsideration process available to licensees. |
| ■ Baseline consultations and partnerships established | ■ Target met. |
| ■ 2 Memorandums of Understanding signed | ■ Target met. |
| ■ Improved response times to licensing inquiries. | ■ Target met. |

who contacts a BC consumer for the purposes of soliciting a donation on behalf of another person (third party fund-raisers) be licensed.

The Operations unit is responsible for ensuring all licensees comply with the provisions of the Act and the Telemarketing Licensing Regulation including the specific

requirements to only call during certain hours, to disclose appropriate information prior to dealing with a consumer, and to ensure that call number information is provided.

**Travel Agents and Travel Wholesalers**

The BPCPA oversees the licensing and regulation of BC travel agents and travel wholesalers under the *Business Practices and Consumer Protection Act* and Travel Industry Regulation and ensures that all persons and travel agencies in the province selling or offering retail or wholesale travel services are registered and conform to the legislation.

The Operations team becomes actively involved in travel agencies that cease operation, declare bankruptcy or otherwise fail to deliver contracted services to the public. BPCPA employees work with trustees, foreign bankruptcy courts, legal firms, etc. in acquiring restitution for consumers or when consumers' rights have been assigned following payment to the consumer from the Travel Assurance Fund.

Operations is also responsible for annual reviews of the financial statements of all travel agencies and wholesalers, to ensure they maintain their annual net worth and that trust funds and required securities are maintained. The BPCPA holds an average of $17,000,000 in security, which range from $5,000 for a branch office up to $300,000 for a major wholesaling operation.

## Travel Assurance Fund Statement

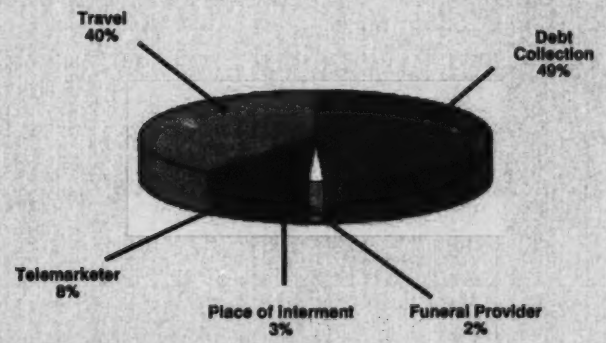
**Report for the Period of**
**January 1, 2006 – December 31, 2006**

| | |
|---|---|
| Opening balance Jan. 1, 2006 | **$4,887,805** |
| Fund income (contributions + interest + investment income) | 412,265 |
| Payments from the fund: | (310,112) |
| Administrative costs | (109,398) |
| **Closing balance Dec. 31, 2006** | **$4,880,560** |
| Claims submitted: | 35 |
| Claims paid: | 298 |
| Claims denied/not eligible: | 175 |
| Claims still active/outstanding | 606 |
| Money owing to the fund: | $ Nil |

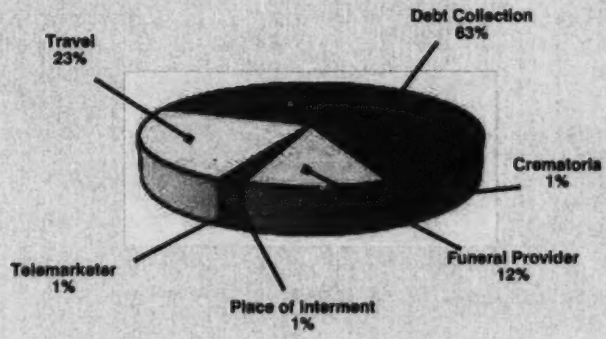
NOTE: Claims paid / denied / outstanding also includes approximately 1,044 Canada 3000 claims that were outstanding as at December 31, 2005.

# Operations 2006 Summary Statistics

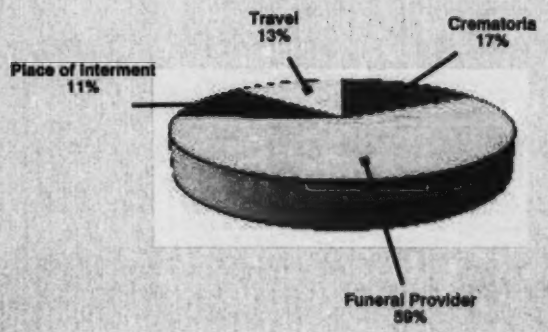
## New Agency Licenses Issued



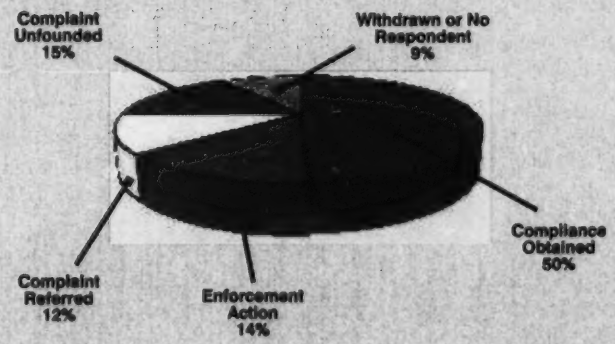

## Total Licenses Renewed




## Inspections Performed




## Investigations Concluded



## Collection Agents, Bailiffs and Debt Poolers

| | 2005 Jan - Dec | 2006 Jan - Dec |
|---|---|---|
| New Agency Licenses | 39 | 31 |
| New Employee Licenses | 1794 | 2033 |
| Employee Transfers | 882 | 730 |
| Renewals Processed | 2410 | 2682 |
| Suspensions | 3 | 1 |
| Cancellations | 0 | 0 |
| Refusals | 5 | 2 |
| Inspections | 0 | 0 |

## Telemarketers

| | 2005* Oct - Dec | 2006 Jan - Dec |
|---|---|---|
| New Agency Licenses | 57 | 4 |
| Renewals Processed | *n/a | 63 |
| Suspensions | 0 | 0 |
| Cancellations | 0 | 0 |
| Refusals | 0 | 0 |
| Inspections | 0 | 0 |

*Telemarketer licensing regulation came into effect on October 1, 2005. Statistics only reflect 3 months of regulatory activity.

## Travel Agents and Travel Wholesalers

| | 2005 Jan - Dec | 2006 Jan - Dec |
|---|---|---|
| New Licenses | 91 | 25 |
| Renewals Processed | 1225 | 1002 |
| Suspensions | 10 | 8 |
| Cancellations | 0 | 1 |
| Refusals | 8 | 5 |
| Inspections | 10 | 19 |

## Place of Interment Summary Statistics

| | 2005 Jan - Dec | 2006 Jan - Dec |
|---|---|---|
| New Licenses | 2 | 2 |
| Renewals Processed | 19 | 20 |
| Suspensions | 0 | 0 |
| Cancellations | 0 | 0 |
| Refusals | 0 | 0 |
| Inspections | 11 | 16 |

## Crematoria Summary Statistics

| | 2005 Jan - Dec | 2006 Jan - Dec |
|---|---|---|
| New Licenses | 1 | 0 |
| Renewals Processed | 41 | 42 |
| Suspensions | 0 | 0 |
| Cancellations | 0 | 0 |
| Refusals | 0 | 0 |
| Inspections | 20 | 24 |

## Funeral Service Summary Statistics

| | 2005 Jan - Dec | 2006 Jan - Dec |
|---|---|---|
| New Provider Licenses | 6 | 1 |
| New Employee Licenses | 28 | 24 |
| Employer Transfers | 47 | 15 |
| Renewals Processed | 503 | 499 |
| Suspensions | 0 | 1 |
| Cancellations | 0 | 0 |
| Refusals | 3 | 2 |
| Inspections | 58 | 86 |

## Investigations & Enforcement

- The investigations and enforcement team continued to develop its expertise and confidence in dealing with all areas of the legislation including being involved in a number of actions related to forfeiture of assets and certificates of pending litigation. The team was also successful in a number of actions which resulted in significant restitution to consumers and recovered costs.
- The investigations and enforcement team participated in an action to seize thousands of pieces of mail from Canadian victims destined to US based mass mail out businesses, as well as thousands of pieces of mail destined to a Victoria based mass mail out business targeting US and UK individuals.
- The Authority entered into a Memorandum of Understanding with the RCMP which sets out roles and responsibilities and cooperative efforts to deal with consumer fraud issues. The team also joined with the Burnaby, Coquitlam and Western Communities RCMP in investigations relating to home renovation scams.
- The investigations and enforcement area was highlighted in a day long interview with the producers of a UK ITV television program called "Tonight with Trevor McDonald" discussing the current trend of UK citizens being targeted by Canadian telemarketers. The piece focused on mail and telephone solicitation, enforcement efforts, and suggestions as to how UK citizens can avoid becoming victims.

- A presentation was made to the Association of Certified Fraud Examiners informing them of the mandate of the Authority and in particular the investigative powers under the Act. This Association was mainly made up of accountants and lawyers from the Greater Vancouver area.
- The investigations area also represented the BPCPA at the Pacific Northwest annual training workshop for the International Association of Financial Crime Investigators. The Director provided a presentation on the Authority, its responsibilities and the role of investigations in relation to the variety of complaints the Authority receives.

| Investigations Concluded | 2006 Jan - Dec |
|---|---|
| Compliance Obtained | 112 |
| Enforcement Action | 32 |
| % Compliance Obtained | 78 |
| Unfounded/Insufficient Evidence | 35 |
| Consumer Alert/Referred | 27 |
| Withdrawn or No Response | 21 |

| Enforcement Actions | 2006 Jan - Dec |
|---|---|
| Inspection Orders | 7 |
| Compliance Orders | 4 |
| Direct Sales Prohibition Orders | 1 |
| Administrative Penalties | 0 |
| Civil Actions Initiated | 3 |
| Certificates of Pending Litigation | 0 |
| Reports to Crown | 2 |

| Assets, Recoveries and Restitution | 2006 Jan - Dec |
|---|---|
| Assets Frozen under Order | $315,356 CAN<br>$85,922 USD |
| BPCPA Costs Recovered | $6,800 |
| Voluntary Restitution | $13,209 |
| Ordered Restitution | $11,062 |

## Inspections

- The inspections team continued to devote significant resources to both routine inspections in the cremation, interment and funeral service sector, as well as to inspecting, tracking and enforcing the licensing requirements related to unlicensed travel agencies in the Province.
- The inspections area had targeted completion of initial inspections of all funeral providers, crematorium operators and commercial cemetery operators in 2006 and reached this target late in the year. As part of these inspections, the team developed new inspection guides and information documents which greatly assisted with education and awareness of the various statutory requirements among industry members.
- The inspections team also developed new inspection procedures and checklists for the travel, debt collection and telemarketing sectors late in the year in preparation for an increased focus on routine inspections of these business areas in 2007.
- The inspectors continued to refine and evolve their relationship with the investigations and enforcement area of the Authority in an effort to ensure that any verified non-compliance issues are processed in a timely fashion and enforcement action taken where

appropriate.

- The inspectors also began establishing relationships with other regulatory and enforcement organizations involved in parallel or complementary activities to the Authority. This included initiating contact with the Insurance Council of BC, the Real Estate Council of BC and the BC Call Centre Association. The inspectors will continue to seek out other groups who may be of assistance in developing their expertise or who may be involved in similar enforcement work which would be of mutual benefit.

## LICENSING

- Participated in the development of the new BPCPA web site. This included developing a number of new forms for licensees to complete online. As part of the web site project, the licensing team collaborated with Corporate Services to develop and implement credit card payment processing capacity.
- Developed a new licensing business process model which ensures that all licensing officers are conversant in all regulatory areas. This included developing new licensing application and processing procedures, cross-training in various licensing areas, and some technological changes to streamline processing.
- Developed a new document scanning system which effectively eliminated the requirement for the majority of paper files in the licensing office. The new scanning technology and scanned documents were integrated with the operational system so licensing and other BPCPA employees can quickly access documents electronically from all offices and remotely where required. This created significant time savings and facilitated more effective communication between the various BPCPA teams.
- Developed procedures, guidelines and a communication strategy related to the changes in

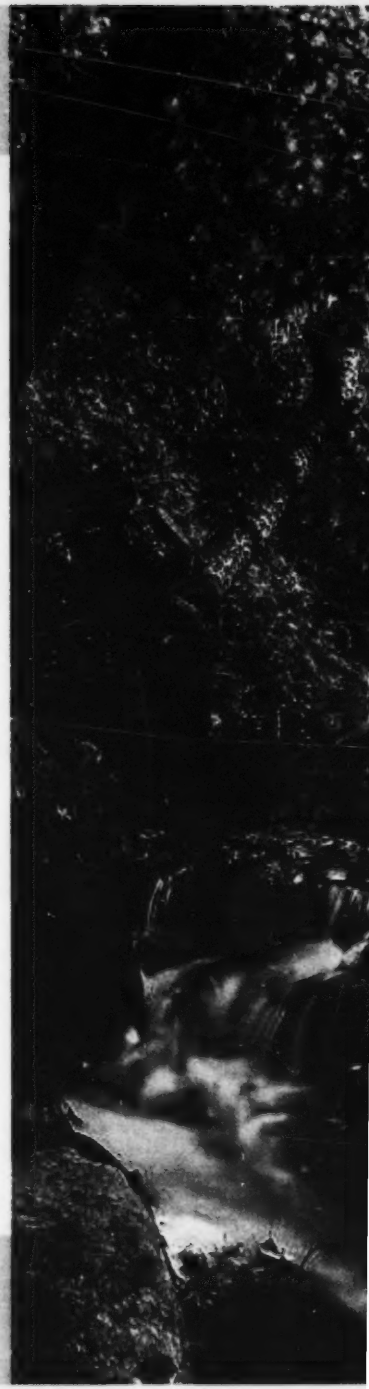
the debt collection industry regulation security requirements which took effect on January 1, 2007.

- Continued to work with licensees in the travel industry, especially travel wholesalers, to ensure that all licence holders were in compliance with the new security requirements introduced with the travel industry regulation. In many cases, the change meant significant increases to the amount of security required by licensees. The licensing office worked to inform and educate licensees about the new requirements and ensure that compliance was achieved while being sensitive to the business impacts of these changes.
- Increased staffing levels, including two new licensing officers and a new manager of licensing operations, to prepare for business demands anticipated in 2007 and beyond.

## AUDIT AND FINANCIAL REVIEW

The audit and financial review team reviews and audits business financial statements and trust accounting practices and to id ntify anomalies. When financial or other issues related to handling of consumer funds arise, this team will lead in determining and quantifying if violations have occurred and initiate administrative and enforcement action.

- In 2006 a significant amount of of time was devoted to developing new review processes for the various types of financial information the BPCPA receives from its regulated sectors. This included a thorough review of over 700 financial statements submitted by new and existing travel agencies and wholesalers during the course of the year and the adequacy of the security provided by the agencies.
- A new financial data capture component was developed for the BPCPA's operational system which will allow licensing, inspections and enforcement staff to access up-to-date financial information about licensees and perform various searches and queries to determine those agencies who may pose a financial risk.
- Financial review components were initiated for the new inspection procedures and checklists developed for the routine inspections of funeral providers, cemetery operators, travel agencies, travel wholesalers, debt collection agencies, debt poolers and bailiffs. One important focus of these procedures will be to ensure that licensees required to use trust accounts for safeguarding consumer funds are doing so in compliance with the trusting provisions of the legislation.
- This area will continue to play an active role with the licensing, inspections and enforcement teams to ensure that the appropriate financial tests and measures are in place to identify those licensees that pose a financial risk and to assist in any compliance and enforcement actions which may result.



# Corporate Relations

## Inquiry Centre

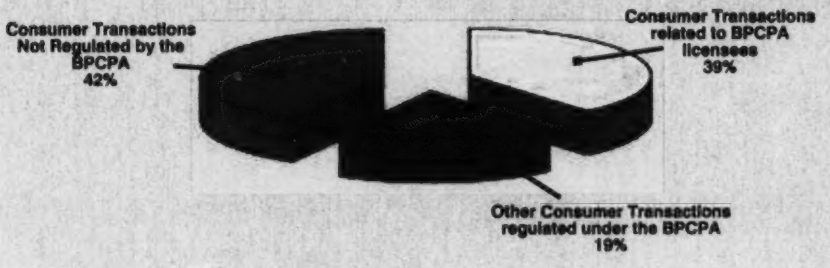
The team of Officers in the Inquiry Centre performs the pivotal role of educating the public on their rights and responsibilities when entering into a consumer transaction while also providing support to the industry participants involved. It is at this level that the dispute resolution process is initiated and can be mediated if the dispute falls under the jurisdiction of the BPCPA and if inspection, investigation or legal interpretation of the legislation and regulations are not required. Acting as the first point of contact for the public, the team holds a vast knowledge in all areas of consumer protection in order to empower consumers and business owners with the information they require to protect themselves and their businesses in the future.

## Year in Review

- Responded to 15,787 inquiries and complaints.
- Improved response times to inquiries and complaints by over 17% by ensuring that the majority of telephone inquiries were returned within 2.5 hours and that written inquiries were returned within 7 days.
- Researched ways to create efficiencies and changes for managing inquiry and complaint intake.
- Implemented information management systems to identify gaps in consumer education which resulted in improved information collected and distributed to stakeholder groups.
- Participated in public education and awareness initiatives.

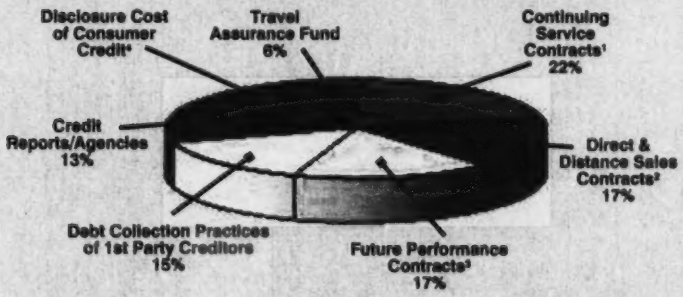
# Inquiry and Complaint Summary for 2006

## Distribution of All Inquiries / Complaints Received in the Inquiry Centre


Consumer Transactions Not Regulated by the BPCPA 42%
Consumer Transactions related to BPCPA licensees 39%
Other Consumer Transactions regulated under the BPCPA 19%

Of the 15,787 inquiries and complaints received in the Inquiry Centre, 39% involved consumer transactions with businesses licensed under the BPCPA. 19% involved consumer transactions regulated under the BPCPA and 42% involved consumer transactions that were not covered under the *BPCPAct* and Regulations. A break out of each category is presented in the next set of graphs

## Distribution of Inquiries / Complaints Consumer Transactions that fall under the BPCPAct and Regulations


Disclosure Cost of Consumer Credit⁴ 6%
Travel Assurance Fund 6%
Continuing Service Contracts¹ 22%
Credit Reports/Agencies 13%
Direct & Distance Sales Contracts² 17%
Debt Collection Practices of 1st Party Creditors 15%
Future Performance Contracts³ 17%

¹ includes fitness, weight loss, self-defense and travel club contracts
² includes door-to-door and e-commerce contracts
³ includes general contractors
⁴ includes loan brokering, payday loans and credit/finance

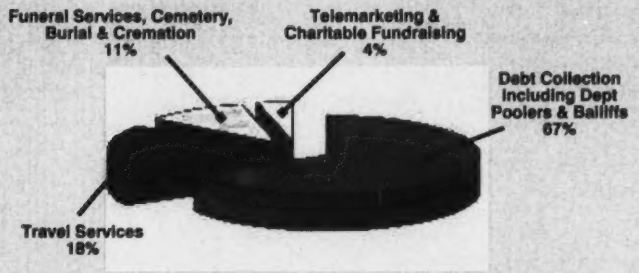
The greatest percentage of inquiries and complaints received in the Inquiry Centre involving consumer transactions where the *BPCPAct* and Regulations are applicable, were concentrated in the consumer contracts section of the law (56%). These contracts are divided into continuing services, direct sales, distance sales and future performance contracts. The key concern consumers had in this area were with respect to their cancellation rights, where businesses were interested in what they were required to disclose to consumers in their sales contracts.

Inquiries and complaints about debt collection practices by first party creditors (15%) were focused on prohibited debt collection practices such as allegations of harassment, collecting on disputed debts, and communicating with individuals other than the debtor.

Credit reporting inquiries, which comprise 13% of the activity in this category, range from complaints about the reporting of incorrect information to inquiries about how long bankruptcies can report.

The newest section of the legislation to be enforced by the BPCPA, Disclosure - Cost of Consumer Credit, drove 10% of the activity and the Travel Assurance Fund at 6%.

## Distribution of Inquiries / Complaints


Funeral Services, Cemetery, Burial & Cremation 11%
Telemarketing & Charitable Fundraising 4%
Debt Collection including Dept Poolers & Bailiffs 67%
Travel Services 18%

The distribution of Inquiries and complaints regarding licensed businesses under the BCPCA were concentrated in the area of the debt collection industry comprising of 67%. Concerns ranged from allegations of the frequency and timing of collection calls to receiving calls at work, collection on disputed debts and concerns with automated dialing systems. These calls also reflect follow-up calls from licensed collectors and complaint managers.

The Travel Services industry required 18% of the licensed activity in the Inquiry Centre. Concerns ranged from customer service issues to reports of unlicensed businesses selling services in BC.

Funeral Services, Cemetery, Burial and Cremation (11%) related inquiries and complaints included unlicensed activity and concerns about customer service along with questions about pre-need contracts, and the requirements of businesses to display their price lists.

The remaining 4% of inquiries and complaints fell under Telemarketing and Charitable fundraising. The public were interested in which organizations were legitimate, how to be added to "do not call" lists and allowable timing of calls.

Summary of Inquiries and Complaints Regarding Consumer Transactions That Are Not Regulated by the BPCPA

| Industry | Number of Inquiries & Complaints | Main Concerns |
|---|---|---|
| Retail Sales | 1577 | Refund Policies & Customer Service |
| Automotive Sales | 739 | Warranty & Contract Cancellation Rights |
| Telecommunication | 321 | Billing & Contractual Disputes |
| Cell Phone | 310 | Service Quality & Billing Disputes |
| Automotive Repairs | 328 | Quality of Workmanship & Contractual Disputes |
| Professional Services (Dentists, Doctors, Accountants, Lawyers) | 210 | Billing Disputes & Quality of Workmanship |
| Automotive (other) | 191 | Auto Recalls & Inspections |
| Banking | 168 | Customer Service & Service Charges / Fees |
| Utilities | 146 | Billing Disputes & Loss of Service |
| Moving | 139 | Customer Service & Billing Disputes |
| Other | 1538 | Concerns are from 43 different industries ranging from Airlines to Long Distance and Internet Service Providers |

Of the communications with consumers and businesses, 45% of the inquiries or complaints were resolved at the Inquiry Centre level through mediation, providing general advice, and by recovering information for files currently being reviewed or that could become of public interest at a future date. Where the Inquiry Centre recognized that further investigation, inspection or licensing support was required, the inquiries or complaints were delegated internally to the respective departments. These referrals comprised 1% of the action taken by the Inquiry Officers. The remaining 54% of inquiries and complaints involved educating the party involved of the appropriate resources available to them external to the BPCPA in order to assist the consumer or business find the appropriate solution to their concern.

## Policy & Legislation

- A proposal was submitted to government for changes to the security requirements under the Debt Collection Industry Regulation. The government adopted the recommendation to reduce the maximum security amount from $1 million dollars to $50,000.00 and to extend discretion to the Director to set a higher amount when justified. The changes became effective January 1, 2007.
- The issue of emissions from crematoria had received a higher public profile with local governments on permit and zoning applications. Subsequently the government approached the BPCPA asking that there be some discussion on the topic with the advisory group for their thoughts on ways to address the matter. Feedback from the discussion with the advisory group was provided to the government.
- Communications had been received from Cryonicists by both the BPCPA and Funeral Services Association of BC (FSABC). The issue being raised was with regard to a purported misinterpretation of section 14 of the *Cremation, Interment & Funeral Services Act* (CIFSA). Subsequently the BPCPA developed an information notice that was posted on the BPCPA website following which

the FSABC provided the information to their members and included in the FSABC newsletter.

- The Authority continued to maintain communication with the government on the proposal for the licensing of Funeral and Cemetery salespeople.
- The BPCPA submitted a proposal for changes to the Travel Industry Regulation as they applied to office requirements for branches, as well as clarifying who may conduct business on behalf of a licensee. In order to ensure that proposed changes effectively address all the potential issues facing the industry, government will be reviewing the travel regulations in entirety.
- Policy guidelines for commission agents and telecommuters of licensed travel agents were revoked. Licensees were referred to the travel industry regulations for purposes of defining their relationship with people that work for them and the manner in which they conduct their business.

## New Lines of Business

- At the request of the Ministry of Public Safety and Solicitor General (MPSSG), the BPCPA led a comprehensive consultation process with stakeholders in the cosmetology industry and designed a regulatory framework which was submitted to government in September 2006.
- The BPCPA continued to work with MPSSG on the potential transfer of the Film Classification Office and responsibility for the *Motion Picture Act*
- Federal legislation regarding payday lenders is in process and the Authority is consulting with MPSSG to explore the possibility of provincial legislation.

## Communications

Communications and public relations are deemed crucial pillars of the BPCPA. All of the organization's internal and external communications are strategically designed to further our goal of becoming the primary consumer protection authority in BC. All of the following achievements have assisted in raising awareness of the rights and responsibilities of consumers and businesses under BC's consumer protection laws.

### Media Relations Activities:

- The BPCPA issued 27 media and news releases in 2006.

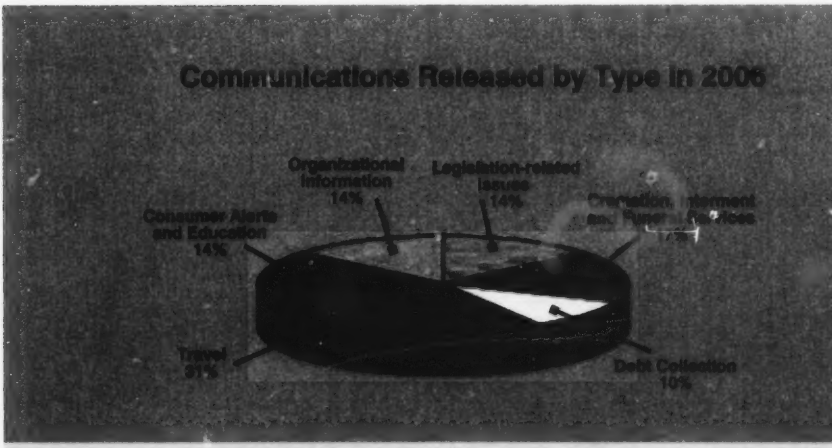
- The BPCPA received 78 media calls in 2005. That total increased to 91 in 2006.
- The BPCPA was quoted in a variety of media this year. The one media outlet that we have conducted the most interviews with was CTV's *Olsen on Your Side* television segment. In 2006 we received 10 calls from *Olsen on Your Side* and were interviewed on camera on four separate occasions. We also received numerous inquiries from the CBC.
- The majority of the interviews conducted by the BPCPA in 2006 were around general consumer issues that fall under the Authority's mandate such as continuing service contracts.
- The BPCPA continued to work on joint public awareness initiatives with like-minded organizations such as the Government of British Columbia, the Better Business Bureau of the Lower Mainland, the Better Business Bureau of Vancouver Island, the BC Crime Prevention Association and the Competition Bureau of Canada.

## Public Relations Activities:

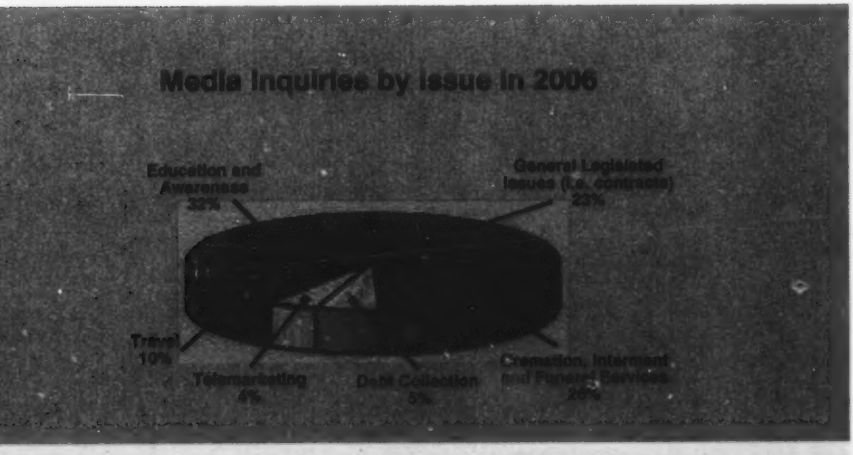
- All of the organization's communications activities were streamlined with the hiring of a Manager, Public Relations in the summer of 2006. New internal communications systems were established which led to the creation of 34 communications

documents since July 2006.

- In the spring of 2006, the BPCPA embarked on a project to build a new website to better meet the information needs of consumers and licensees. The site was successfully launched with a new design and updated information. New additions to the site include online forms, email subscription lists, monthly tips for consumers and businesses, a newsroom, an updated consumer assistance directory and the capability to accept credit card payments from licensees.
- The BPCPA delivered 10 presentations in 2006 throughout BC. Topics included consumer protection law, knowing your rights as a consumer, BC's travel regulations and prohibited collection practices.



- The BPCPA participated as a sponsor or exhibitor in four major events and trade shows in 2006, including the Better Business Bureau of Mainland BC's Annual Scam Jam, where the BPCPA was a silver sponsor.
- The BPCPA began working on two major awareness campaigns this year; the Travel Assurance Fund campaign and a Consumer Awareness campaign. Both will use a variety of communication methods to raise awareness throughout British Columbia about the BPCPA, the industries it licenses and general consumer protection.
- The BPCPA developed and distributed three internal newsletters in 2006.


Media Inquiries by Issue in 2006
Education and Awareness 32%
General Legislated Issues (i.e. contracts) 23%
Travel 10%
Telemarketing 4%
Debt Collection 5%
Cremation, Interment and Funeral Services 26%

documents since July 2006.

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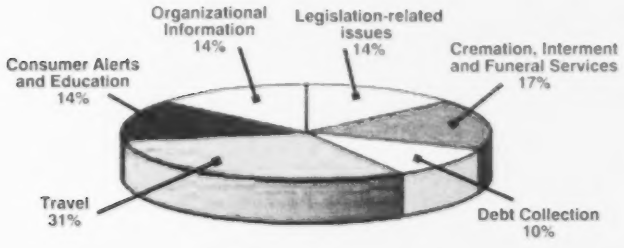
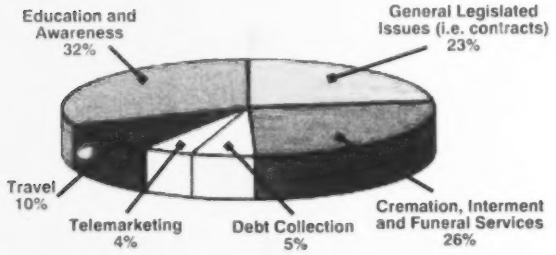
- The BPCPA developed and distributed three internal newsletters in 2006.

## Communications Released by Type in 2006




## Media Inquiries by Issue in 2006



| Goals | Strategies | 2006 - Target | Status |
|---|---|---|---|
| The Authority supports a fair and reasonable regulatory and enforcement environment | Improve accessibility by automating licensing functions | ■ Online Compensation Fund submissions | ■ Target not met |
| The Authority is the primary consumer protection agency in British Columbia | Enhance education and awareness | ■ Pursue opportunities to advise consumers and businesses of their rights and responsibilities through presentations and participation at major trade shows. | ■ Target met |
| | | ■ Improve consumer information on website | ■ New website to be launched Feb 07. |
| | Enhance consumer protection by integrating new business lines. | ■ Implement 3 new areas of delegated authority | ■ In progress |
| | Investigate 3 new areas of delegated authority | ■ Investigate 3 new areas of delegated authority | ■ Target met |
| | Initiate information management system to identify gaps. | ■ Initiate information management system to identify gaps. | ■ Target met |
| | Make recommendations for regulations to close gaps in consumer protection | ■ Make recommendations for regulations to close gaps in consumer protection | ■ Target met |
| | Responded to consumer inquiries within 2.5 working hours | ■ Responded to consumer inquiries within 2.5 working hours | ■ 67% of inquiries responded to within 2.5 hours. |
| | Implement instant receipt notice for email inquiries | ■ Implement an instant receipt notice for email inquiries | ■ Target met. |

## Advisory Groups

The Board of Directors continued the established advisory groups for the purpose of consulting with the Authority for each of the licensed industry groups, with members representing both consumers and industry. The purpose of the advisory groups is to:

- identify consumer and industry related issues and potential solutions for consideration by the Authority;
- provide feedback on matters put forward by the BPCPA for consideration; and
- consider other related matters.

The industries represented are:

- crematoria, interment and funeral services (including operators of places of interment and crematoria, funeral providers, funeral directors, embalmers);
- collection agents, bailiffs and debt poolers (including debt collectors, debt collection agencies);
- travel agents and travel wholesalers; and
- telemarketers.

Each of the Advisory Groups met 3 to 4 times during the year. Copies of the minutes of the meetings and the complete terms of reference for the advisory groups are available on the Authority's website at www.bpcpa.ca.

In 2006, a total of 30 items were added to the Action Required Logs. The outcome of action items in 2006 is summarized below:

| Industry | Completed | In Progress or Ongoing | Outstanding | Total |
|---|---|---|---|---|
| Debt Collection Industry Advisory Group | 5 | 3 | 5 | 13 |
| Travel Industry Advisory Group | 5 | 6 | 4 | 15 |
| Cremation, Interment and Funeral Services Advisory Group | 7 | 7 | 0 | 14 |
| Telemarketer Advisory Group | 3 | 0 | 2 | 5 |
| Total | 20 | 14 | 12 | 47 |

Highlights of the action items that were completed in 2006 resulting from consultation with the industry groups are as follows:

### Debt Collection Industry Advisory Group

- Re-introduced a fee for the recording a change in the directors / officers / shareholders of a licensee.
- Added a charge for late filing of financial statements as required by section 10(1) of the Debt Collection Industry Regulation.
- Drafted proposal for changes to the regulations governing the security requirements for a licence.
- The Board consulted with the members in accordance with the advisory group terms of reference on the appointment of the Chair for the group.

### Travel Industry Advisory Group

- Developed and submitted a proposal to government for changes to the regulations governing branch

office requirements.

- Began development of an awareness campaign for the Travel Assurance Fund.
- Received a commitment from government for a complete review of the travel regulations and assisted in developing the draft work plan covering the process.
- Developed an investment strategy for the Travel Assurance Fund.
- Repealed the Commission Agent Guidelines and the Telecommuting Guidelines thereby re-emphasizing compliance with the regulations.

### Cremation, Interment and Funeral Services Advisory Group

- Implemented a charge for breaching a condition of the funeral provider licence by failing to pay the BPCPA administration fee on or before the due date established for such payment by agreement between the Authority and the funeral provider.
- Introduced a charge for the priority inspection of a new facility prior to licensing.
- Developed an inspection guide for funeral providers and check lists for each industry segment.

- An information notice was issued to provide clarification on the intent and application of Section 14 of CIFSA as it applied to the involvement by Funeral Directors in preparing human remains for transportation to a cryonics facility.
- Provided input to government on the topic of emissions from crematoria.
- Reviewed the issue of whether it should be mandatory for all crematoria to use metal ID disks. It was determined this would not provide the guarantee being sought and, therefore, would not be pursued further.

### Telemarketing Advisory Group

- The industry completed its first year under the licensing requirement; there were no significant issues identified by the new Telemarketing Advisory Group.
- Both the advisory group and the BPCPA continue to monitor the processes and look for opportunities to educate both consumers and the industry on the licensing regime and applicable regulations.

## Advisory Group Members

With the exception of the telemarketing group, all members of the initial advisory groups had been appointed to two year terms expiring in September and October 2006. This necessitated canvassing for new members in the early summer of 2006. A notice for expressions of interest to serve was sent to the respective licensees, other identified stakeholders and related associations. Newspaper advertising targeting consumer representatives was carried out in both the Victoria Times Columnist and the Vancouver Sun newspapers. The objective was to receive submissions from the licensed businesses and consumer interests to provide the desired knowledge and expertise.

The Board determined that in order to provide for continuity, consideration was given to minimizing the

transitional nature of membership and the benefits of reducing the frequency of issuing notices for expressions of interest. As a result, the new members were appointed to variable terms of from one to three years. Several of the original members applied and were appointed to second terms. As well, the expiry date for all advisory group members was set to be October 31st to further benefit the canvassing process. In keeping with this decision, the appointments of the telemarketing advisory group members were extended to October 31, 2007.

The Board expressed its appreciation to the members for their contribution in towards the positive role the advisory groups have played.

For a listing of Advisory Group Members see Appendix 2.

# Corporate Services

The Corporate Services division provides the Authority with a wide range of support services and financial expertise to ensure the Authority is financially self-sustaining. This support is provided by both internal resources and external contracts.

## Financial

Included in this Annual Report are the audited financial statements of the Authority for the fiscal year ended December 31, 2006. These statements have been prepared in accordance with Generally Accepted Accounting Principles. The Authority is required, under

Section 26 of the *Business Practices and Consumer Protection Authority Act*, to prepare and make publicly available these audited financial statements within 6 months of the end of the fiscal year.

Operations for the year resulted in a net income of $5,542. The Authority's recognized revenue was slightly higher than expected due to the implementation of an investment strategy and a greater than expected number of deaths in the province. The Provincial Government also reimbursed the Authority for expenditures incurred during the planning phase of anticipated new lines of business.

Net of these planning expenditures, the Authority spent approximately $240,000/month over the course of the fiscal year. This increase in spending of approximately $20,000/month from the previous year is largely a result of higher negotiated salary costs and the continuation of the staffing process.

As noted above, the Authority developed a formal investment strategy in the spring of 2006 and invested funds from both the general operating account, as well as the Travel Assurance Fund. The objective of the strategy

is to optimize current income, provide sufficient income growth and preserve capital. Appropriate asset mixes between equities, fixed income and cash equivalents were established in support of the strategy's objectives. For the year, a total of almost $50,000 was generated as investment income from the Authority's funds.

## Human Resources

The Authority experienced minimal employee turnover during the year and added staff in anticipation of adding new lines of business. A strong working relationship has been maintained with the BCGEU by reaching agreement-in-principle on a collective agreement.

| Goals | Strategies | 2006 - Target | Status |
|---|---|---|---|
| The Authority supports a fair and reasonable regulatory and enforcement environment | Improve accessibility by automating licensing functions | ■ Online payment | ■ Target will be met in early 2007 with launch of new website. |
| The Authority is effective, efficient and strategic | Build capacity for new areas of delegated responsibility by implementing an integration strategy | ■ 3 new lines implemented<br>■ Baseline costs established | ■ Consultations with government are continuing |
| | Maximize the Authority's resources | ■ Baseline costs established<br>■ Implement an investment strategy with a maximum rate of return | ■ Target met |

This agreement will be finalized in 2007 and in effect until March 31, 2010, thus providing labour certainty as the Authority looks to expand its operations.

The initial stages of an Authority wide Human Resources Strategy has been completed and will also be finalized in 2007. The strategy covers a number of areas and will focus on maintaining a dynamic work environment that promotes learning, mutual respect, ethical conduct, teamwork and open communication. The strategy will form the basis of an innovative, positive, and supportive workplace.

## Information Technology

The Authority's operational and financial information systems continue to serve the business needs of the organization. A number of minor modifications were made to the Investigative Services Information System (ISIS) in response to the ever changing reporting requirements of the Authority. As the equipment lease is set to expire in July, 2007, a thorough review of all aspects of the Authority's information technology platform will take place in the upcoming year.

## Administration

In 2006, the Authority developed a Business Continuity Plan (BCP) to ensure a coordinated response and recovery of essential business functions in the event of natural disasters or other unanticipated interruptions in business operations. The objective of the BCP is to assess the potential business impact of a major disruption, provide management with a mechanism to direct and make decisions, and to guide a return to a normal level of operations as quickly as possible.

A risk assessment was conducted throughout the organization to identify the Authority's business

opportunities and risks. The likelihood and consequences of each risk were then identified and mitigation strategies developed to manage the risks to an acceptable level. The Authority has adopted an enterprise wide risk management approach that creates a framework for systematic decision making and priority setting for major issues facing the Authority.

The BPCPA continues to work with government to refine its accountability framework, and to position itself for the future with a strong information management and reporting structure.

# APPENDIX I

BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY

FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Audited)

HAYES STEWART, TITLE & CO.

# HAYES STEWART LITTLE & CO.

CHARTERED ACCOUNTANTS

## AUDIT REPORT

To The Directors

We have audited the statement of financial position of the Business Practices & Consumer Protection Authority as at December 31, 2006 and the statements of income and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2006 and the results of its operations and the changes in its cash resources for the year then ended in accordance with Canadian generally accepted accounting principles.

*Hayes Stewart Little & Co.*

Victoria, BC
April 24, 2007

Chartered Accountants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Nanaimo, BC V9R 5B5
Phone: (250) 591-5559 Fax: (250) 591-4505
Email: [illegible]

**BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY**

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2006

(Audited)

| ASSETS | 2006 | 2005 |
|---|---|---|
| CURRENT | | |
| Cash | $ 1,256,403 | $ 2,926,373 |
| Cash held for deposits (Note 14) | 94,143 | |
| Interest receivable | 5,993 | 12,292 |
| Accounts receivable | 415,072 | 307,650 |
| G.S.T. receivable | - | 11,412 |
| Prepaid expenses | 55,527 | 37,965 |
| | 1,827,138 | 3,295,692 |
| INVESTMENTS (Note 2 & 4) | 2,285,710 | - |
| PROPERTY, PLANT AND EQUIPMENT (Note 2 & 5) | 127,643 | 78,083 |
| | $ 4,240,491 | $ 3,373,775 |

**BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY**

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2006

(Audited)

| | 2006 | 2005 |
|---|---|---|
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | $ 331,644 | $ 251,997 |
| Recoveries Payable (Note 10) | 1,056,963 | 491,000 |
| Deposits (Note 14) | 94,143 | - |
| Deferred revenue (Note 7) | 739,985 | 597,067 |
| Current portion of deferred capital contributions (Note 8) | 12,094 | 16,468 |
| | 2,234,829 | 1,356,532 |
| DEFERRED CAPITAL CONTRIBUTIONS (Note 8) | 35,746 | 47,869 |
| SECURITY DEPOSIT | - | 5,000 |
| **NET ASSETS** | | |
| NET ASSETS (Note 9) | 1,969,916 | 1,964,374 |
| | $ 4,240,491 | $ 3,373,775 |

**APPROVED ON BEHALF OF THE AUTHORITY:**

Chair

President & CEO



HAYES STEWART LITTLE & CO.

**BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY**
STATEMENT OF INCOME AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Audited)

| | 2006 | 2005 |
|---|---|---|
| REVENUE | | |
| Government startup contributions | $ 16,467 | $ 522,513 |
| Licenses, penalties & fines | 2,491,415 | 1,801,302 |
| Interest and investment income | 135,191 | 99,518 |
| Recoveries (Note 10) | 244,975 | 425,269 |
| | 2,888,048 | 2,848,602 |
| EXPENSES | | |
| Accounting and legal | 123,472 | 110,601 |
| Amortization | 35,508 | 25,264 |
| Contract services | 185,864 | 201,991 |
| Equipment leases | 60,408 | 78,384 |
| Governance (Note 11) | 86,918 | 88,532 |
| Information systems | - | 17,481 |
| Insurance | 76,023 | 77,322 |
| Office | 115,869 | 110,368 |
| Rent - premises | 213,757 | 212,189 |
| Travel | 50,881 | 45,189 |
| Wages and benefits | 1,944,691 | 1,653,344 |
| | 2,893,382 | 2,606,035 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | (5,334) | 242,567 |
| OTHER INCOME (EXPENSES) | | |
| Licensing cost recovery (Note 12) | 310,000 | |
| Industry implementation costs (Note 12) | (299,124) | - |
| | 10,876 | - |
| EXCESS OF REVENUES OVER EXPENSES FOR THE PERIOD | 5,542 | 242,567 |
| NET ASSETS, beginning of period | 1,964,374 | 1,721,807 |
| NET ASSETS, end of period | $ 1,969,916 | $ 1,964,374 |

**BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Audited)

| | 2006 | 2005 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from licenses | $ 2,874,132 | $ 1,576,113 |
| Cash received from government sources | - | 500,000 |
| Cash received from cost recoveries of legal actions & settlements | 768,716 | 660,269 |
| Cash received as interest | 141,491 | 97,426 |
| Cash paid for goods & services | (1,184,372) | (1,031,172) |
| Cash paid to employees | (1,899,159) | (1,610,637) |
| NET CASH GENERATED THROUGH OPERATING ACTIVITIES | 700,808 | 131,999 |
| INVESTING | | |
| Acquisition of investments | (2,285,710) | - |
| Acquisition of property, plant and equipment | (85,068) | (14,509) |
| NET CASH USED FOR INVESTING ACTIVITIES | (2,370,778) | (14,509) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (1,669,970) | 117,490 |
| CASH AND CASH EQUIVALENTS, beginning of year | 2,926,373 | 2,808,883 |
| CASH AND CASH EQUIVALENTS, end of year | $ 1,256,403 | $ 2,926,373 |
| REPRESENTED BY | | |
| Cash | $ 1,256,403 | $ 2,926,373 |



DAVIES STEWART TITLE & CO.

**BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

(Audited)

1. **PURPOSE OF ORGANIZATION**

The Business Practices and Consumer Protection Authority (the Authority) was established on March 31, 2004 under the Business Practices and Consumer Protection Act of British Columbia as a not for profit corporation without share capital. The purpose of the Authority is to deliver consumer protection services throughout British Columbia, to promote fairness and understanding in the marketplace and to administer in the public interest any Act, the administration of which is delegated to the Authority. The Authority is classified as a public body for income tax purposes and therefore is not subject to income taxes.

2. **ACCOUNTING POLICIES**

(a) **PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION**

Property, plant and equipment are recorded at cost. Expenditures for additions and expenditures which substantially increase the useful life of existing assets are capitalized.

Amortization is calculated on the estimated economic life of the asset on the declining balance method at the following annual rates:

| | |
|---|---|
| Furniture and equipment - | 20% |
| Computer hardware and software - | 30% |
| Telecommunication equipment - | 20% |
| Automotive equipment | 30% |
| Leasehold improvements - | 20% |

2. **ACCOUNTING POLICIES** (continued)

(b) **REVENUE RECOGNITION**

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Capital assets contributed and externally restricted contributions for the purchase of capital assets are deferred and amortized over the life of the related capital asset. Unamortized deferred capital contributions relating to capital asset dispositions are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Unrestricted investment income is recognized as revenue when earned.

License fees are recognized on a straight line basis as revenue throughout the period the license is valid.

2. **ACCOUNTING POLICIES** (continued)

(c) **EMPLOYEE BENEFIT PLAN**

The Authority and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pensions Act. The British Columbia Pension Corporation administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a multi-employer defined-benefit plan. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability of $767 million, which resulted in an increased contribution rate outlined below.

The Authority recognized $ 42,805 in employer contributions as an expense in the year.

As of April 1, 2006 the employer contribution rate to the Public Service Pension Plan was increased to 8.63% of the pensionable salary up to the year's maximum pensionable earnings from 6.75% and to 10.13% of pensionable salary in excess of the year's maximum pensionable earnings from 8.25%. The year's maximum pensionable earnings for 2006 is $42,100.

The Authority also contributes annually through the Provincial Government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The costs of these employee future benefits are recognized as an expense in the year that contributions are paid.

(d) **LONG-TERM DISABILITY**

The Authority contributes to the Public Service Long-term Disability Multiemployer Plan. The Authority is a member of an employer group which has funded 98% of its disability liability.

The contribution rate is 1.57% of the employees' salary. The total contributions recognized as an expense in the year is $25,344.

(e) **INVESTMENTS**

The investment portfolio is valued at cost unless a non-temporary decline in market value has occurred then it is valued at market.

2. **ACCOUNTING POLICIES** (continued)

(f) **USE OF ESTIMATES**

The preparation of the Authority's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. This includes and is not limited to, the useful lives of property, plant and equipment.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(g) **APPLICATION OF NEW ACCOUNTING POLICY FOR FINANCIAL INSTRUMENTS**

The Authority must adopt accounting policies for financial instruments effective January 1, 2007. The policy will require that investments be classified as held for trading, available for sale or held to maturity. The impact of this new policy will be to restate investments held for trading or available for sale at fair market value. The related income or loss will either be charged to earnings, or directly to net assets.

The impact of this new policy has not yet been ascertained, as it depends on management decisions in respect of its investments.

3. **FINANCIAL INSTRUMENTS**

The Authority's financial instruments consist of cash, interest receivable, accounts receivable, accounts payable and accrued liabilities, recoveries payable, deposits and employee liabilities. The fair value of these assets and liabilities approximates their carrying value. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## 4. INVESTMENTS

The Authority holds a portfolio of marketable securities with a market value as at December 31, 2006 of $2,342,707 (2005 - $nil).

## 5. PROPERTY, PLANT & EQUIPMENT

| | Cost | Accumulated Amortization | 2006 | 2005 |
|---|---|---|---|---|
| Furniture and equipment | $ 28,113 | $ 3,671 | $ 24,442 | $ 2,635 |
| Computer hardware and software | 104,519 | 35,414 | 69,105 | 24,676 |
| Telecommunications and other equipment | 8,884 | 1,992 | 6,892 | 2,041 |
| Automotive equipment | 21,039 | 12,384 | 8,655 | 12,364 |
| Leasehold improvements | 39,441 | 20,892 | 18,549 | 35,367 |
| Total | $ 201,996 | $ 74,353 | $ 127,643 | $ 78,083 |

## 6. LEASE OBLIGATION AND COMMITMENTS

The Authority has entered into lease agreements for its premises and various equipment as well as a service contract for telecommunications and internet service. Future minimum payments are as follows:

| | Premises | Equipment and Service |
|---|---|---|
| 2007 | $ 199,392 | $ 105,134 |
| 2008 | 187,131 | 46,344 |
| 2009 | 150,345 | 23,172 |
| 2010 | 150,348 | - |
| Total future minimum lease payments | $ 687,219 | $ 174,650 |

## 7. DEFERRED REVENUE

Deferred revenue consists of funds received for licenses issued that are in effect for all or part of the next fiscal year. The balance consists of the following unrecognized license fees by industry:

| | 2006 | 2005 |
|---|---|---|
| Debt collection | $ 405,962 | $ 203,847 |
| Cemetery/Crematorium | 5,930 | 4,822 |
| Funeral services | 23,770 | 47,882 |
| Telemarketing | 77,956 | 62,254 |
| Travel | 226,367 | 278,262 |
| | $ 739,985 | $ 597,067 |

## 8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent unamortized external funding used to purchase capital assets which will be recognized as revenue in future periods.

| | 2006 | 2005 |
|---|---|---|
| Balance, beginning of year | $ 64,337 | $ 86,850 |
| Amortized to revenue | (16,497) | (22,513) |
| Balance, end of year | 47,839 | 64,337 |
| Less current portion | (12,094) | (16,468) |
| | $ 35,746 | $ 47,869 |

## 9. NET ASSETS

| | Invested in Capital Assets | Unrestricted | 2006 | 2005 |
|---|---|---|---|---|
| BALANCE, beginning of year | $ 13,746 | $ 1,950,628 | $ 1,964,374 | $ 1,721,807 |
| Excess of revenues over expenses | - | 5,542 | 5,542 | 242,567 |
| Amortization of deferred capital contributions | 16,498 | (16,498) | | |
| Investments in capital assets | 85,068 | (85,068) | - | - |
| Amortization | (35,508) | 35,508 | - | - |
| BALANCE, end of year | $ 79,804 | $ 1,890,112 | $ 1,969,916 | $ 1,964,374 |

## 10 RECOVERIES PAYABLE

Recoveries consist of cost recoveries from legal actions and settlements the Authority managed for consumers. Pursuant to a court order the Authority is authorized to deduct the costs it has incurred from the gross settlement proceeds prior to distributing the net amount to the damaged parties. Settlement amounts will vary from year to year depending upon the success of the actions taken.

## 11 GOVERNANCE

Governance consists of the costs associated with the Board of Directors and the industry advisory groups. These groups have been established to identify consumer and industry related issues and potential solutions for consideration by the Authority.

## 12 RECOVERY OF LICENSING COSTS

Under an agreement with the Province of British Columbia ("the Province"), the Authority incurred costs to pursue a licensing scheme for the Cosmetologists of British Columbia. The Province has agreed to reimburse the Authority for all costs related to the design of a Cosmetology licensing scheme.

The recovery amount is included in accounts receivable at December 31, 2006, and was collected subsequent to year-end.

## 13 TRAVEL ASSURANCE FUND

The Travel Assurance Fund is established pursuant to Section 130(2) of the Business Practices and Consumer Protection Act ("Act") and is funded by a required initial and semi-annual contributions from registrants. It is created to reimburse eligible consumers who have prepaid travel services with a BC registered travel agency, but did not receive the services. These compensation funds are to be maintained in trust, are administered by the Authority and do not form part of the assets of the Authority. The balance of the Travel Assurance Fund is as follows:

| | 2006 | 2005 |
|---|---|---|
| Balance, beginning of year | **$ 4,887,805** | $ 4,228,344 |
| Contributions and interest | **412,265** | 767,979 |
| Payouts | **(310,112)** | (38,591) |
| Administration costs | **(109,398)** | (69,927) |
| Balance, end of year | **$ 4,880,560** | $ 4,887,805 |

Included in the ending balance above are investments in marketable securities with a cost, as at December 31, 2006, of $3,317,767 (2005 - $nil) (market value - $3,387,533 (2005 - $nil)) the remaining balance is cash in bank accounts. An officer of the Authority is a trustee of the fund. The increased Administration costs in 2006 are due to high volume of payouts related to the Canada 3000 failure.

## 14 CONSUMER ADVANCEMENT FUND

The Consumer Advancement Fund is established pursuant to Section 139(1) of the Business Practices and Consumer Protection Act and is funded by proceeds from court ordered actions taken against violators of the Act and various administrative penalties. It is created to fund education of consumers and suppliers on compliance with the Act. These funds are to be maintained in trust and administered by the Authority and do not form part of the assets of the Authority. The balance of the Consumer Advancement Fund is as follows:

| | 2006 | 2005 |
|---|---|---|
| Balance, beginning of year | $ - | $ - |
| Contributions | 144,925 | - |
| Payouts | (50,782) | - |
| Balance, end of year | $ 94,143 | $ - |

An officer of the Authority is a trustee of the fund.

## 15 COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

# APPENDIX 2:
## Advisory Group Members

The following are members of the Industry Advisory Groups that provided feedback to the Authority in 2006. (Members denoted "*" completed their terms in 2006):

**Debt Collection Advisory Group: (November 1, 2006)**

Allan Parker, Program Manager, LawLINE, Legal Services Society

Freya Kodar, Assistant Professor Faculty of Law, University of Victoria

John Kim, Executive Vice President Credit Bureau of Canada Collections

Laurier Bourassa, Proprietor At Home Debt Assistance

Les Mitchell, Vice President Wolfco.Bailiffs

Michael Hardy*, President, Credit Grantors Association of Vancouver

Mike Bertram*, Director, Credit Association of Victoria

R.D. (Bob) Webber, President, BC Bailiffs Association

R.W. (Bob) Richards, Senior Vice President and COO of CBV Collection Services Ltd.

Robert D. Fell* President, Canadian Association of Independent Credit Counselling Agencies

Scott Hannah, Executive Director, Credit Counselling Society

William D. Millar, Asst. Superintendent, Western Region, Office of the Superintendent of Bankruptcy

Tom R. Aquiline, Director, Industry Relations, BPCPA

**Travel Industry Advisory Group: (November 1, 2006)**

Andy H. Shimizu, Co-Chair, Canadian Inbound Tourism Association (Asia Pacific) Advocacy Committee

Bruce Fougner, President Lloyds Travel

Claire Newell*, President, Jubilee Tours & Travel Ltd.

David McCaig, Vice President, Association of Canadian Travel Agencies (ACTA)

Dennis Cote, Vice President. Product Development & Support, BC Automobile Association

Gord McMorran, Vice President, Wolrige Mahon Limited

Jan Singh, President TDI Travel Dimensions

Scott Bonner, Managing Director, Midnight Sun Adventure Travel Inc.

Tawfiq (Vic) Nakhleh*, Vice President & General Manager, Transat Holidays, Western Canada

Simone Lis, Director of Operations BBB of the Lower Mainland

Valerie Fisher Regional Manager Western Canada , Skylink

Tom R. Aquiline, Director, Industry Relations, BPCPA

**Cremation, Interment and Funeral Services Industry Advisory Group: (November 1, 2006)**

Blair Wallin, General Manager Forest Lawn / Ocean View Cemeteries

Chris Dorrington, Funeral Director Sutton's Campbell River Funeral Home

Ellen Leslie*, Executive Director, Memorial Society of British Columbia

Gary Carmichael, VP Government & Corporate Affairs Arbor Memorial Services Inc.

Janet E. Ricciuti, Executive Director, Funeral Service Association of BC

Jason W. Everden*, General Manager, Everden Rust Funeral Services & Crematorium, Kelowna

John M. Chasca, President of BC Independent Family Funeral Home Association of BC, Owner of

McPherson's Funeral Services

Kay Johnson, Director, Griefworks BC

Lawrence G. Little*, Owner, Personal Alternative Funeral Services Limited and Pacific Crematorium Limited

Stephen C. Olson, Secretary/Treasurer of the Cemetery & Crematorium Association of BC, Secretary Treasurer & Executive Director, Board of Cemetery Trustees of Greater Victoria

Walter Johanson, Executive Director, the Memorial Society of BC

Tom R. Aquiline, Director, Industry Relations, BPCPA

**Telemarketing Advisory Group (May 11, 2005):**

Arno Bangert, Director, Research & Prospect Management, BC Children's Hospital Foundation

Bruce Bird, Chapter Director, Canadian Association of Retired Persons

Jean Mitchell, President, BC Contact Centre Association, Manager, BCIT Call Centre of Excellence

Len Wolstenholme, Director, Regulatory & Public Affairs, XentelDM Incorporated

Mary Anne Chase, Director of Operations, BC TigerTel/UTR

Mayo McDonough, Executive Director, BBB of Vancouver Island

Wally Hill, Vice President, Public Affairs & Communications, Canadian Marketing Association

Tom R. Aquiline, Deputy Director, Industry Relations, BPCPA

| Goals | Strategies | 2006 - Target | Status |
|---|---|---|---|
| The Authority supports a fair and reasonable regulatory and enforcement environment | Improve accessibility by automating licensing functions | ▪ Online Compensation Fund submissions | ▪ Target not met |
| The Authority is the primary consumer protection agency in British Columbia | Enhance education and awareness | ▪ Pursue opportunities to advise consumers and businesses of their rights and responsibilities through presentations and participation at major trade shows.<br>▪ Improve consumer information on website | ▪ Target met<br>▪ New website to be launched Feb 07. |
| | Enhance consumer protection by integrating new business lines. | ▪ Implement 3 new areas of delegated authority | ▪ In progress |
| | Investigate 3 new areas of delegated authority<br>Initiate information management system to identify gaps.<br>Make recommendations for regulations to close gaps in consumer protection | ▪ Investigate 3 new areas of delegated authority<br>▪ Initiate information management system to identify gaps.<br>▪ Make recommendations for regulations to close gaps in consumer protection | ▪ Target met<br>▪ Target met<br>▪ Target met |
| | Responded to consumer inquiries within 2.5 working hours<br>Implement instant receipt notice for email inquiries | ▪ Responded to consumer inquiries within 2.5 working hours<br>▪ Implement an instant receipt notice for email inquiries | ▪ 67% of inquiries responded to within 2.5 hours.<br>▪ Target met. |

| Goals | Strategies | 2006 - Target | Status |
|---|---|---|---|
| The Authority supports a fair and reasonable regulatory and enforcement environment | Improve accessibility by automating licensing functions | ▪ Online payment | ▪ Target will be met in early 2007 with launch of new website. |
| The Authority is effective, efficient and strategic | Build capacity for new areas of delegated responsibility by implementing an integration strategy | ▪ 3 new lines implemented<br>▪ Baseline costs established | ▪ Consultations with government are continuing |
| | Maximize the Authority's resources | ▪ Baseline costs established<br>▪ Implement an investment strategy with a maximum rate of return | ▪ Target met |